

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA
DOCKET NO. 2009-211-E
ORDER NO. 2009-__

In the Matter of:)	<u>ORDER GRANTING REQUEST</u>
South Carolina Electric & Gas Company)	<u>FOR APPROVAL OF REVISED</u>
2009 Annual Request for Revised Rates)	<u>RATES</u>
_____)	

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the “Commission”) pursuant to a request by South Carolina Electric & Gas Company (“SCE&G” or the “Company”) for approval of revised rates (the “Request”) in accordance with the terms of the Base Load Review Act (the “BLRA”), S.C. Code Ann. § 58-33-210, *et seq.* Under § 58-33-280 of the BLRA, electric utilities may no more often than annually request revised rates related to the construction of a base load generation facility if the base load generation facility is being constructed in conformity with a BLRA order issued by the Commission and if no other request for revised rates has been made within one year. If such a request has been made within one year, the request must have been withdrawn prior to the issuance of a revised rates order or denied on grounds that may be corrected by a subsequent filing. See S.C. Code Ann. §§ 58-33-280, 58-33-285, and 58-33-287.

The current request for revised rates is based on the BLRA Order No. 2009-104(A), dated March 2, 2009. The Commission issued that Order in response to SCE&G's Application for a Certificate of Environmental Compatibility and Public Convenience and Necessity and for a Base Load Review Order to construct and operate a two-unit, 2,234 net megawatt nuclear facility to be located at the V.C. Summer Nuclear Station near Jenkinsville, South Carolina (the "Combined Application"). The Combined Application was filed on May 30, 2008.

Under the BLRA, when a request for revised rates is filed, the South Carolina Office of Regulatory Staff ("ORS") reviews and audits the utility's request and the information supporting it. S.C. Code Ann. § 58-33-280(D). In addition, the public may file comments to the Commission and ORS on the request within one month of the filing. S.C. Code Ann. § 58-33-280(C). Within two months of the request, ORS must file with the Commission a report with the results of its review and audit in the docket opened to consider the revised rates request. S.C. Code Ann. § 58-33-280(D). Included in the ORS report are any proposed changes to the revised rates or to the information supporting them which result from the ORS review and audit of the matters at issue. Id. Within one month of the date ORS files its report with the Commission, written comments may be filed concerning the report. S.C. Code Ann. § 58-33-280(E). ORS is authorized to revise the report based on its consideration of the filed comments. S.C. Code Ann. § 58-33-280(E). The Commission must then issue an order within four (4) months after the date the request was filed granting, modifying, or denying the revised rates requested by the utility. S.C. Code Ann. § 58-33-280(F). Under the terms of the BLRA, the matters at

issue in a revised rates proceeding are whether the plant is being constructed in compliance with the construction schedules and cost schedules approved by the Commission in the BLRA Order, and whether the proposed revised rates reflect allowable plant capital costs, an appropriate cost of capital, a proper allocation of revenue requirements among customer classes, and proper rate designs.

In this proceeding, SCE&G filed its Request for revised rates on May 29, 2009 with an effective filing date of May 30, 2009.¹ In addition, as required by the BLRA, SCE&G attached to the Request the March 2009 Quarterly Report on engineering, construction, procurement and permitting activities related to the Units. See S.C. Code Ann. § 58-33-277 and § 58-33-280(B). Pursuant to S.C. Code Ann. § 58-33-280(B), SCE&G established June 30, 2009, as the date for calculating its outstanding balance of construction work in progress and weighted average cost of capital. In the Request, SCE&G projected that as of June 30, 2009, its Construction Work In Progress (“CWIP”) for V.C. Summer Nuclear Station Units 2 & 3 (the “Plant” or the “Units”), incremental to the amount already included in rates pursuant to Order 2009-104(A), including associated Allowance for Funds Used During Construction (“AFUDC”), would total \$199,201,000. SCE&G requested the approval of rates and tariffs calculated to produce an increase in annual revenues of approximately \$22,533,000, which reflected SCE&G’s then-current cost of capital as applied to that amount. The rate adjustments proposed in the Request amount to an average increase to customers in the residential class of 1.2%.

¹ In the Request, SCE&G noted that the anniversary date of the filing of the Combined Application in Docket No. 2008-196-E fell on a weekend and, therefore, the request was being submitted on May 29, 2009 to be effective as of that anniversary date, which was May 30, 2009. SCE&G further indicated that it intends to file future requests for revised rates annually with an effective date of May 30.

In response to the filing of the Request, ORS conducted a “review and audit of the revised rates and the information supporting them” as required by S.C. Code Ann. § 58-33-280(D). The exhibits to the Request included detailed budgetary information, construction milestone schedules, and SCE&G’s March 2009 Quarterly Report which was filed in accordance with S.C. Code Ann. §§ 58-33-277 and 58-33-280(B). In the March 2009 Quarterly Report, SCE&G provided a detailed review of the progress of engineering, procurement and construction of the Units. On July 30, 2009, ORS issued a document entitled “*Report on South Carolina Electric & Gas Company’s Annual Request for Revised Rates*” (the “Report”), which was timely filed with the Commission on July 30, 2009.

In the Report, ORS documented that it had conducted the statutorily-required review of SCE&G’s actual CWIP expenditures through June 30, 2009 and compared those figures with the forecasted amounts set forth in Exhibit D to the Request. ORS verified that SCE&G’s incremental CWIP for the review period was \$207,014,000, which was \$7,813,000 more than the projected balance as of June 30, 2009 as set forth in Exhibit D to the Request. ORS also adjusted the amount of AFUDC included in the CWIP account to reflect these actual CWIP balances as of June 30, 2009. In addition, ORS verified and recalculated SCE&G’s cost of capital as of June 30, 2009, which it computed in accordance with the terms of the BLRA and the findings as to cost of capital contained in Order No. 2009-104(A).

Based on these verified and recalculated numbers, ORS found that SCE&G had justified an additional annual revenue requirement of \$22,533,000, which is the full

amount of revised rate relief that SCE&G requested. ORS found that the revised rates adjustment requested by SCE&G would not cover all of the incremental CWIP costs that SCE&G had in fact incurred as of June 30, 2009 when the actual amount of CWIP, related AFUDC amounts, and updated cost of capital were taken into account. Based on figures verified by ORS, the requested rate relief of \$22,533,000 is sufficient to cover the \$198,364,000 of incremental CWIP, which is \$8,650,000 less than the actual balance of incremental CWIP on June 30, 2009. ORS concluded that this amount of additional CWIP was incurred in conformity with the terms of Order No. 2009-104(A) and that SCE&G was entitled to carry this \$8,650,000 amount forward into the Company's next revised rates filing as permitted by S.C. Code Ann. § 58-33-280(B).

ORS also examined the rate design and class allocation factors SCE&G used to create the rates presented in Exhibit F to the Request. ORS verified that the rate design and class allocation factors complied with S.C. Code Ann. § 58-33-270(D) and the provisions of Order No. 2009-104(A). ORS concluded that the project is being constructed in accordance with the construction schedules and cumulative cost forecasts approved in Order No. 2009-104(A) and that the revised rates requested by SCE&G were appropriate as filed. ORS verified that the rates proposed by SCE&G were reasonably calculated to recover the requested incremental revenue requirement of \$22,533,000.

On August 28, 2009, SCE&G submitted its written comments on the ORS Report and indicated that it was in agreement with the conclusions of ORS, including

specifically ORS's recalculation of SCE&G's CWIP, AFUDC and cost of capital and ORS's verification of the revenue requirement set forth in the Request.

In addition, the Commission received written comments on the Report from the South Carolina Energy Users Committee ("SCEUC") and Ms. Eleanor Horres. SCEUC's comments noted that it had appealed Order Nos. 2009-104(A) and 2009-218 and that it objected to the Request to the extent it was inconsistent with SCEUC's positions in that appeal. The Commission has reviewed this matter and does not find there to be any inconsistency. Ms. Horres' comments indicated her opposition to the Request based on its impact on customers like herself.

The Commission has examined the ORS Report, the Request, and the comments filed in this docket. In doing so, we are mindful that the BLRA requires the Commission, where the ORS and the utility have agreed in writing as to a revised rates filing, to give substantial weight to the agreement in issuing this order. Based upon our review, we conclude that the Request should be granted as filed in accordance with the Findings and Conclusions set forth herein.

FINDINGS AND CONCLUSION

1. S.C. Code Ann. § 58-33-280(A) provides that an electric utility may file a request for revised rates no earlier than one year after filing a combined application under the BLRA.

2. SCE&G filed its Combined Application on May 30, 2008 in Docket No. 2008-196-E.

3. Pursuant to S.C. Code Ann. § 58-33-280(A), SCE&G filed the Request in this proceeding with an effective date of May 30, 2009, one year after the filing of the Combined Application.

4. As set forth above, ORS has examined the Request and has concluded that the revised rates should be approved as filed.

5. All information received at this stage of the proceeding indicates that the facility is being constructed in accordance with the construction schedules and cumulative cost forecasts approved under Commission Order No. 2009-104(A). No person or party has challenged this conclusion.

6. Based upon the ORS Report, as agreed to in writing by SCE&G, an increase in SCE&G's annual revenue requirement of \$22,533,000 is appropriate in light of SCE&G's approved cost of capital as applied to its CWIP balance on June 30, 2009, and as limited by the revised rates requested in this proceeding.

7. As set forth in the ORS Report, SCE&G incremental CWIP associated with the facility as of June 30, 2009 was \$207,014,000, of which \$8,650,000 is not reflected in the revised rates approved here, and may be carried over to future revised rates requests.

8. The revised rate tariffs, as set forth in Exhibit F to the Request, reflect an appropriate revenue requirement, allocation of costs, and rate design, and are hereby approved.

9. The rates contained therein shall be effective for bills rendered on and after October 30, 2009.

10. SCE&G shall provide notice to its customers of the approved revised rates with bills rendered during the next billing cycle for which it is reasonably feasible to do after the date of this order.

11. SCE&G may implement revised rates no earlier than thirty days after the date of this order.

12. The Commission finds no other changes appropriate or necessary to the Request.

13. Any aggrieved party may petition this Commission for a review of this order within thirty (30) days from the date of this order. S.C. Code Ann. § 58-33-285(A).

14. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

Elizabeth B. "Lib" Fleming, Chair

ATTEST:

John E. "Butch" Howard, Vice Chair

(SEAL)